

Analysis of the EFSD Investment Window on Sustainable *and Inclusive* Cities

Introduction

People living in cities all over the world are becoming more active agents of change in international sustainable development and the clean energy transition. Cities and local authorities are responsible for implementing some of the core international agreements adopted by our governments; in particular, the Paris Climate Agreement, UN Sustainable Development Goals and the Sendai Framework on Disaster Risk Reduction. It is thus appreciated that the EIP expresses the importance of supporting cities towards achieving the objectives of those agreements. We also welcome the references to the UN Habitat New Urban Agenda, that all countries committed to implement and that should guide EU efforts to contribute to inclusive and sustainable cities.

We appreciate that the EIP is envisaged as a tool to implement the Paris Agreement. With that said, it must be guaranteed that the Sustainable Cities (SC) window (and all other windows of the EIP) will be fully compatible with the objectives of the Paris Agreement, which is binding to the European Union and its Member States. Indeed, the Paris Agreement requires that financial flows are compatible with a pathway towards low greenhouse gas emissions and climate-resilient development. Therefore, if the EU is serious in implementing this commitment and contributing to SDG #13 “Take urgent action to combat climate change and its impacts”, it needs to ensure that all projects supported under the EFSD, and especially under the SC window, do not undermine the Paris Agreement.

However, we note with concern that there is little emphasis on human rights and the social dimension of the SC window. As acknowledged in the UN New Urban Agenda (herein referred to as NUA), “social and economic exclusion and spatial segregation are often an irrefutable reality in cities and human settlements”. The NUA embraces the principles of inclusion, innovation and integration to inform balanced territorial and urban planning towards greater social and physical well-being and an improved quality of life.

The NUA also recognizes the concept of Right to the city (or cities for all), where city is seen as a common good.¹

Public spaces and green areas need to be integral to city planning initiatives. Governments committed “to achieve cities and human settlements where all persons are able to enjoy equal rights and opportunities, as well as their fundamental freedoms, guided by the purposes and principles of the Charter of the United Nations, including full respect for international law”.

A study in New Delhi, India in 2012 found that 92% of women had experienced some form of sexual violence in public spaces in their lifetime, and 88% of women reported having experienced some form of verbal sexual harassment (including unwelcome comments of a sexual nature, whistling, leering or making obscene gestures) in their lifetime.²

¹ http://www.righttothecityplatform.org.br/download/publicacoes/what-R2C_digital-1.pdf

² Empowered, *Gender Violence and Causes of it*, blog. Available at: <https://empoweredwomenfreefromviolence.wordpress.com/2017/04/17/gender-violence-and-the-effects-of-it/>

The EU and its Member States have committed to a human rights-based approach to EU development interventions. We therefore strongly suggest that the investment window makes an explicit reference to human rights, and commitments to address inequalities, including gender inequality.

Initial recommendations for the SC window outline

Policy rationale

While we appreciate that the policy rationale puts significant emphasis on climate and the environment, it lacks a solid social and human rights dimension; this is at odds with the EU commitments under Habitat 3 and the UN human rights framework.

The SC window must ensure that funded programmes help to **increase accessibility of infrastructure, including planned human settlements securing adequate, affordable and well located housing and transport services for all, without discrimination (disabled persons, migrants, etc). Funded programmes must also aim at empowering women.**

Currently, the freedom to move safely around cities is greatly restricted for women, notably because of gender-blind planning and design of transport infrastructure. For example, rather than move from the periphery to the centre, women's journeys are often between different neighbourhoods, where transport is unavailable or, due to lack of lighting, unsafe. It is crucial to involve women's rights groups in the design and monitoring of urban planning and public transportation projects. That will help to ensure that the areas served respond to women's strategic and practical needs; for example, the policy on fees are gender-sensitive (cf women making shorter trips with multiple stops to bring children to school, sick and elderly to health institutions, then going to work, etc), and plans are in place to deal with gender violence in public transportation. Technical assistance should be used to support women's involvement in decision-making structures at city level about urban infrastructure. Childcare should be provided to facilitate women's attendance at meetings. Integrating different services – transport and childcare, for instance, reduces women's unpaid work.

Programmes supported by the SC window should address issues associated with land laws and policies that often discriminate against women; for example leaving them without security over their land and property, and depriving them of their livelihoods, shelter and food security. Specifically, paragraph 35 of the NUA affirms the need for attention to security of land tenure for women as key to their empowerment, including through effective administrative systems. The SDG's in indicator 1.4.2, 5.a.1 and 5.a.2 draw very strong links between women's land and property rights and poverty alleviation.

Programmes should also prioritise financing for clean, pro-poor energy and infrastructure development that is compatible with the Paris Agreement and SDGs and Member States' commitments under international human rights law. While we welcome the fact that addressing urban inequality is one of the five EU policy objectives under this investment window, we believe this major challenge should be better emphasised, in both the "policy rationale" section and in the indicators and envisaged impacts (see below).

In the policy rationale section, we understand the concern around end use tariffs of municipal infrastructure being often significantly below cost recovery level, but stress that even under those circumstances, the poorest can often not even afford those services, with daunting impacts on women in particular. Women's lower wages – the result of their managing a double burden of care and paid employment and due to their work being less valued – indeed means they are less able to afford fees. The provision of essential human rights and services (water, education, health) can be financed through progressive taxation. Thus, any fee policy – for example for transport - must be designed with users and CSOs, to ensure people enjoy fair, equitable and non-discriminatory access.

We regret the lack of reference to the objective of harnessing local economies and prioritising local economic actors as opposed to foreign investors. We are also concerned at the lack of any reference to the contribution of the informal economy, and the need to ensure the projects will not further marginalise informal workers. It must be guaranteed that national governments and local civil society organisations and communities play a leading role in defining their needs and plans, through participatory approaches, in line with development effectiveness principles.

Lessons should be learned from the disastrous involvement of various European companies in the garbage collection and management/recycling in Cairo and Alexandria in the early 2000'. Those waste management projects threatened the livelihoods of Egypt's traditional garbage collectors – the Zabaleen, because they were designed without proper consultation and integration of Zabaleen and without a proper understanding of the local informal economy around waste collection and recycling.³ Bottom-up approaches and due consideration to the informal workers is key to ensure projects involving private companies benefit local people. In the case of Veolia's waste collection contract in Alexandria, another concern is that the increase in the minimum wage in Egypt translated in a demand by the transnational company to amend the contract with the city of Alexandria to get a higher payment. The investor-state dispute settlement triggered by Veolia propreté against the government of Egypt is still ongoing in that regard. We believe the EFSD guarantee should never be used to compensate European companies for loss of profits resulting from improvement of respect for labour rights or other human rights.

The SC window must exercise (and prioritise where possible) its **support for ecosystem-based measures or green infrastructure** which can also support the climate adaptation needs of urban areas.

It is appreciated that the private investment supported by the EFSD will be additional to essential public services. This supposedly means that the budget support to essential and gender-responsive public services will remain intact (no diversion of public resources), and that the economic diplomacy under Pillar 3 of the EIP will not seek to open certain sectors to foreign investors and further competition (see below).

On transport, strong collaboration with the Investment Window on Sustainable Energy and Connectivity will be crucial. Energy efficiency of public transport systems will contribute to the

³ Les chiffonniers du Caire. Soutiers de la ville ou businessmen des ordures ?, Bénédicte Florin, PUF, 2015, https://www.cairn.info/article.php?ID_ARTICLE=ETHN_153_0487

greater efficiency, value and safety of transportation. EFSD **support for sustainable, inclusive and safe transport should be implemented as part of a wider contribution to coherent transport policy and multi-stakeholder capacity-building for cities, regions and local authorities.** For example, support for transport policy that aims at reducing demand, increasing accessibility including in areas that are not well covered, achieving modal shift and vehicle efficiency improvements. Policies should focus on reducing the amount of passenger-kilometres travelled per capita and freight transport demand, while encouraging a shift by passengers and goods to lower energy intensive modes of transport, in a socially equitable manner and without discrimination.

Importantly, the EIP and EFSD should draw from lessons learned in financing transport infrastructure in the EU. In the past, there has been misuse of EU funds for transport projects that are neither economically viable nor environmentally sound; for example, through support for ghost airports⁴ without full assessment of their necessity. Participatory processes to define local needs are therefore crucial and must be supported, rather than separate channels of discussions that do not involve relevant local civil society organisations and people living in poverty.

Operational concept

In order for the SC window to address some of the development and infrastructure gaps effectively, we emphasise the need **for a greater involvement of local governments and civil society** in the final outline of the SC window, as well as in the preparation, design and implementation of programmes supported through the window. Participatory approaches are key to the success of urban planning, so that it delivers for all people living in the city.

A certain percentage of urban development projects should be allocated to ensure proper stakeholder and citizen engagement in a professional way. Grants should be available for mediating organizations to be able to give technical assistance for the project design, monitoring implementation and ensuring citizen participation.

We recommend adding the following provisions which the SC window will seek to support:

Funding for municipal public services are funded; universal, accessible and gender responsive services that prevent and respond to violence against women; any engagement with the private sector will be first and foremost with local private sector, including organisations representing informal workers, which play a major economic role in most middle and large cities in partner countries.

We note the commitment to consider measures to “align the interests of the different stakeholders, including fund managers and investors, in line with relevant market practices”, but believe it is crucial for this investment window to acknowledge that not all sustainable and inclusive cities interventions can be bankable, and to clarify in which case expecting a return for the investor would be inappropriate because to the detriment of people living in poverty. Investments like those in the example in Tamil Nadu should contribute to informal settlement upgrading and providing access to water and sanitation for vulnerable groups.

⁴ <https://www.politico.eu/article/eu-wasted-money-on-new-airports-say-auditors/>

We urge the European Union to exclude from the risks that the guarantee will help mitigate, any legal and regulatory risk that would in fact be justified by the willingness of the partner country to implement its human rights obligations or improve the protection of the environment. Such regulatory progress should be seen as a positive contribution to sustainable development, rather than as risk for private investors justifying the use of ODA to compensate those private investors.

The envisaged impacts should include qualitative objectives rather than only quantitative objectives that don't tell enough in terms of the impact on the reduction of poverty and inequality. For example, the proportion of the population accessing basic services is a good indicator, as long as it also reflects the number of people living in poverty benefiting from that access, and as long as it differentiates between women and men and between marginalised groups. In addition, indicators must look at the quality of attainment. This cross-sector indicator related to the number of people living in poverty, mentioned in the latest table in annex is crucial and should be compulsory for all projects. We recommend indicators for increasing energy efficiency and reducing energy poverty in the housing sector, especially for vulnerable groups.

We well note the commitment to carry environmental impact assessments, as per the EFSD regulation, and believe that should be complemented by participatory human rights impact assessments, with a gender lens. Again, sustainable and inclusive cities interventions must pay equal attention to all the dimensions of sustainable development; and the social dimension seems to be secondary under this investment window. That is also reflected in the additional indicators proposed for that investment window, which are exclusively quantitative, and top-down. We believe qualitative surveys with input from users and cities' inhabitants should be systematically part of the assessment methodology.

The impacts of interventions on people's life and well-being should be measured as well, in addition to those quantitative outputs. A **specific indicator about women's empowerment should be added**, as opposed to simply gender disaggregated data of existing indicators, and it would be wise, given the overwhelming evidence to the contrary, to add an indicator on women's safety.

For example, the following indicators⁵ could be used:

- Rate of violence against women
- Is there a violence against women legal framework and implementation?
- Is there adequate implementation of the legal framework?
- Is there is a plan to deal with violence against women that includes budget allocation?
- Do urban planning or urban planning office plans include a gendered perspective?
- Are transport plans devised with a gendered perspective?

Part of the interventions should be designed to target specific disadvantaged groups in the cities – women, but also disabled persons, migrants, etc.

⁵ <http://www.actionaid.org/publications/whose-city-evaluation-urban-safety-women-10-countries>

Supporting Policy Actions

Acknowledging the wide-scale negative impacts of climate change on cities and regions, we recommend that **Pillar 3 of the EIP ensures that the appropriate institutional structures or platforms to foster continuous consultation and closer cooperation** with the above actors (e.g. through working groups) are supported.

It should also build capacities, address knowledge gaps and support peer-to-peer activities between cities, regions, local authorities and CSOs.

It is important to note that all levels of government – including cities and regions – need a comprehensive understanding of the climate risks and vulnerabilities in order to help guide policy, planning and investments. Therefore, a key element that needs to be included in the support from Pillar Three is helping cities, regions and local authorities **assess their respective vulnerability to climate change impacts**, and what that vulnerability means for the investments made through the EFSD.

We are concerned that some of the policy actions to be supported through Pillars 2 and 3 are framed in a way that may open the door to economic diplomacy **in favour of European companies, rather than a framework of action guided by international human rights and environmental standards**, to incentivise responsible investments. In particular:

- It is unclear how “defining or reinforcing sector policies providing a framework within which private sector can play a role (such as water and waste)” can be made in a way that does not incentivise the privatisation of public services. It is also unclear whether authorities from partner countries will be able to protect or give preferential treatment to their local companies as opposed to foreign investors in case there is room for private companies in such sector policies. EU efforts to promote reforms for private sector participation should always respect the regulatory space that partner countries need to protect their local nascent industry or vulnerable sectors of their economy as opposed to foreign investors. The EIP being a tool of the EU development policy, the interests of local economic actors should always be prioritised in the economic diplomacy under Pillar 3, in case of diverging interests between local and foreign economic actors.
- We suggest to define more precisely the reforms that will be supported in the field of domestic resource mobilisation and municipal finance, to ensure those tax policies will be gender-just and socially equitable.
- We welcome the commitment to duly consider affordability issues and mechanisms to protect the more vulnerable access to utilities, and would recommend to ensure fees reflect the particular needs of women.
- We suggest to also address in a transparent and honest way the risks and limitations of public-private partnerships, and not just their benefits, in view of the mounting evidence of their failure when certain circumstances aren’t met.
- We would suggest to replace the reference to the “need to pay for basic services”, with “equitable access for all” – which may dictate that not everyone has to pay, because basic services are a fundamental right before being a profit-generating activity.
- We welcome the prioritization on inclusive initiatives offering high sustainable low-carbon development impact (including job creation, youth and women empowerment), however, we encourage the EIP to focus on investment initiatives that seek to build

- inclusive economies and expand participation of low-income people as economically productive citizens.
- We support the improvement of building codes to ensure energy efficiency of new buildings and investment in the deep renovation of the existing residential building stock, especially in neighbourhood countries.

– ENDS –

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